



**Interactive Travel Services Association**

*Our companies are your gateway to the world . . .*

March 9, 2012

Honorable Eileen Daily, Co-Chair  
Honorable Patricia Widlitz, Co-Chair  
Joint Finance, Revenue and Bonding Committee  
Room 3700, Legislative Office Building  
Hartford, CT 06106

Dear Senator Daily and Representative Widlitz:

I am writing on behalf of the Interactive Travel Services Association (ITSA), the voice of the online travel companies (OTCs) and global distribution systems (GDSs), to strongly oppose HB 5420, which seeks to impose a new tax on online travel companies that facilitate hotel bookings in the state of Connecticut.

This legislation would have the unintended consequence of making Connecticut less hospitable to business and tourism.

We therefore urge you not to advance the bill through the Finance, Revenue and Bonding Committee.

HB 5420 amounts to a new discriminatory tax on travel facilitator service fees, and would adversely affect tourism, hospitality services and commerce of both the brick-and-mortar and online agencies. The bill will dampen tourism, reducing the number of visitors to Connecticut and diminishing tax revenue, and may endanger in-state travel and tourism supported jobs.

In addition, HB 5420 would impose a major compliance burden for local businesses in Connecticut. Any Connecticut-based travel agent who charges service fees for bookings and for assembling travel packages would have to take on the unprecedented responsibility of calculating and remitting the tax owed in multiple taxing jurisdictions. These added compliance costs would place a particular strain on travel agents, who already operate in a business climate marked by extremely low margins.

Similar taxes elsewhere have yielded counterproductive results. In New York City, which passed a similar tax in 2010, 80% of tour operators surveyed planned to reduce their NYC bookings due to the new ordinance, which was also ranked the second-worst internet law in the country by the NetChoice Coalition.


This new law would also dramatically affect package tours to the state. Because the law would require taxes to be collected on the final price of the hotel portion of all bookings, tour operators and travel agents outside of Connecticut would be left with little choice but to reduce or eliminate bundled tour packages (hotels plus airfare, transfers, meals, and/or entertainment) or face potential audits over the breakdown of fees associated with those packages.

Further, the vast majority of states that have considered legislation of this nature have rejected it, including Massachusetts, Virginia, Oregon, Florida, Maryland, Texas and Utah, citing concerns about jobs and tourism.

In sum, this bill is not about “closing a loophole.” Instead, it would expand taxes to include nearly every participant in the travel value chain. This tax expansion would effectively reverse the welcoming approach Connecticut has long had to the travel and tourism industry, and in the process, would damage that vital industry, raise hotel prices, reduce the number of visitors, create major paperwork responsibilities for small businesses, and cut jobs among the most economically vulnerable.

We urge you in the strongest possible terms not to pass HB 5420. Thank you for your attention to this matter.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'JR' or similar initials, followed by a long, sweeping horizontal stroke.

Joseph Rubin,  
President